



August 11, 2006

EX PARTE SUBMISSION

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: *Ex parte* Contact in *Universal Service Contribution Methodology Federal-State Joint Board on Universal Service 1998 Biennial Regulatory Review*,
WC Docket No. 06-122

Dear Ms. Dortch:

This letter and its attachments provide still more data to support implementation of a pure numbers-based Universal Service Fund (USF) contribution assessment methodology. Under a pure numbers-based assessment methodology, business users will pay a larger percentage of USF funding than under the current revenue-based assessment methodology. Given this fact and the problems that would arise from imposing USF assessments on special access circuits with which there are no associated telephone numbers, the AdHoc Telecommunications Users Committee ("AdHoc") renews its plea for prompt implementation of a pure numbers-based USF contribution assessment methodology.

Table 5 attached hereto demonstrates conclusively that rather than "getting off easy" under a pure numbers-based plan, business users will, on average, fund a *larger portion* of the total USF-requirement under the pure numbers-based plan advocated by AdHoc (which allows no exemptions except lifeline) than they contribute today. Less than 50% of the total Universal Service Fund collections come from business users today. USF funds collected from business users today constitute somewhere between 42% and 46% of the total Universal Service Fund collections, compared to the greater than 50% that would come from business users under a pure numbers based assessment methodology.¹

¹ The range of 42% to 46% is based upon two separate estimation approaches. The first begins with total carrier-reported revenues for "consumer" and "business" segments, and applies



In an *ex parte* letter filed with Commission on May 18, 2006, AdHoc provided evidence showing that even though residential users account for 70% of all non-broadband connections to the public switched network (wireline and wireless combined), *business users will pay fully 50% of the USF assessments under a pure numbers-based plan* (with no special access connections-based charges).² Table 4 of that filing (attached hereto for reference purposes) contains the details of AdHoc's calculations. The disproportionate payments from business users will occur because business users often have far more than one telephone number associated with each connection to the public switched network. Assuming a \$1.00 per number USF assessment, the typical residential customer subscribing to a traditional switched access line will pay \$1.00 per month in USF charges, on average, while business customers subscribing to traditional switched access lines will pay, on average, \$4.00 per month per line. Table 3 of that filing (attached hereto for reference purposes) contains the details of that calculation. Rather than "getting off easy", business users will be paying, on average, four times as much as residential customers for each switched access connection into the network.

Adding a special "connections-based" charge for business broadband connections (special access) while exempting residential broadband connections (DSL and FiOS-like services), and provided discounted numbers-based assessments for non-primary phones on wireless family plans, would be indefensible and would be a clearly anti-business decision in the face of this evidence. The inescapable, bottom-line conclusion that comes from reviewing the data contained in Tables 1 – 5 is that there is no need to assess broadband connections of any kind – residential or business – to meet the USF's requirements.

interstate/intrastate ratios to those segments as appropriate and is based upon 2006-reported segment revenues. The second works in the opposite direction, starting with FCC-reported interstate/international revenue for different categories of carriers for year end 2004, and then applies appropriate "consumer" and "business" splits to those different carrier categories.

² In that same filing AdHoc analyzed and documented that if the Commission were to flash cut to a numbers-based assessment mechanism today, applying a unitary charge to all numbers, and only numbers, with no "special" exemptions (other than for lifeline subscribers), the "per number" assessment that would be required to meet the existing universal service fund requirement would be \$1.00. Table 1 attached hereto documents the data used for this calculation. The quantity of numbers "assigned" appears to be growing steadily with no signs of growth abating (see Table 2) – meaning that a numbers-based system should also be able to sustain additional growth in the fund itself until such time as the Commission has fashioned a solution to that side of the problem. (Tables 1 and 2 are attached hereto for reference purposes).



Sincerely,

A handwritten signature in black ink, appearing to read 'James S. Blaszk', written in a cursive style.

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Table 1

Monthly Per Number Assessment Required to Fund Current Universal Service Program Demand
(Assuming Exemption for Lifeline Customers)

Number Category		Units	As of:	Source:
(1)	ILEC numbers	302,725,000	30-Jun-2005	FCC <i>Numbering Resource Utilization in the US</i> , 5/2/06
(2)	CLEC numbers	56,932,000	30-Jun-2005	FCC <i>Numbering Resource Utilization in the US</i> , 5/2/06
(3)	Toll Free numbers	22,159,000	30-Dec-2004	FCC <i>Trends in Telephone Service</i> , Table 18.3, 06/05
(4)	Paging numbers	7,999,000	30-Jun-2005	FCC <i>Numbering Resource Utilization in the US</i> , 5/2/06
(5)	Wireless numbers	213,839,000	16-May-2006	http://www.ctia.org/index.cfm accessed 5/16/06
(6)	TOTAL NUMBERS	603,654,000		Sum of lines (1) - (5)
(7)	Lifeline Connections	7,119,506	30-Dec-2005	USAC Appendix LI08 for 3 Q 2006 at http://www.universalservice.org/about/governance/fcc-filings
(8)	TOTAL NUMBERS-BASED UNITS (ASSUMING LIFELINE EXEMPTION)	596,534,494		Line (6) - Line (7)
USF Program Demand		Dollars	Estimate as of:	Source:
USF Program Forecast Demand 1 Q 2006				
(9)	1st Quarter 2006	\$ 1,773,800,000	16-Mar-2006	<i>Public Notice, Proposed 2nd Quarter 2006 Universal Service Contribution Factor</i> FCC DA 06-571
(10)	Annualized 2006 Demand	\$ 7,095,200,000		Line (9) * 4
Calculation of Required Per Number Assessment				
(11)	Total Monthly Numbers-based Units	596,534,494		Line (8)
(12)	Annualized Numbers-based Units	7,158,413,928		Line (11) * 12
(13)	Required Monthly Per Number Assessment	\$ 0.99		Line (10) / Line (12)

Table 2

The Quantity of "Assigned" Numbers Continues to Grow

	Wireline			Other		TOTAL
	ILEC	CLEC	ILEC + CLEC	Wireless	Pagers	
(Numbers are all shown in thousands)						
December, 2000	303,336	24,799	328,135	99,019	24,000 Est**	451,154
June, 2001	305,938	27,942	333,880	111,734	23,621	469,235
December, 2001	305,430	30,941	336,371	128,493	18,001	482,865
June, 2002	Data missing	Data missing	Data missing	Data missing	Data missing	Data missing
December, 2002	297,433	29,892	327,325	141,766	14,111	483,202
June, 2003	304,966	30,169	335,135	151,861	12,641	499,637
December, 2003	299,903	31,699	331,602	160,623	11,208	503,433
June, 2004	308,155	43,779	351,934	169,987	9,260	531,181
December, 2004	305,132	51,112	356,244	183,998	8,469	548,711
June, 2005	302,725	56,932	359,657	197,308	7,999	564,964

Average Annual Growth Rate -- December 2000 to December 2004 5%

Growth Rate - December 2004 to June 2005 - Annualized 6%

Source: FCC *Number Resource Utilization in the United States*, Reports for the periods listed above. Quantity of pager numbers listed in the December 2000 report is inconsistent with other industry data, and estimate is used for that data point instead.

Table 3

Businesses Use (on average) Four Numbers for Each Switched Access Connection

	Line Category	Units	As of:	Source:
(1)	ILEC Residential Switched Access Lines	100,499,167	30-Jun-2005	FCC <i>Local Telephone Competition</i> , 04/06, Table 2
(2)	CLEC Residential Switched Access Lines	16,688,282	30-Jun-2005	FCC <i>Local Telephone Competition</i> , 04/06, Table 2
(3)	ILEC Business Switched Access Lines	43,565,989	30-Jun-2005	FCC <i>Local Telephone Competition</i> , 04/06, Table 2
(4)	CLEC Business Switched Access Lines	17,426,114	30-Jun-2005	FCC <i>Local Telephone Competition</i> , 04/06, Table 2
(5)	Total Res. Switched Access Lines	117,187,449	30-Jun-2005	Line (1) + Line (2)
(6)	Total Bus. Switched Access Lines	60,992,103	30-Jun-2005	Line (3) + Line (4)
	Number Category	Units	As of:	Source:
(7)	ILEC numbers	302,725,000	30-Jun-2005	FCC <i>Numbering Resource Utilization in the US</i> , 5/2/06
(8)	CLEC numbers	56,932,000	30-Jun-2005	FCC <i>Numbering Resource Utilization in the US</i> , 5/2/06
(9)	Toll Free numbers	22,159,000	30-Dec-2004	FCC <i>Trends in Telephone Service</i> , Table 18.3, 06/05
(10)	Total Landline Numbers	381,816,000		

Calculation of Average Quantity of Numbers Used Per Business Switched Access Line

(11)	Assumed Quantity of Numbers Per Residential Switched Access Line	1.1	Generous assumption based upon study of residential number utilization
(12)	Assumed Total Numbers Used by Residential Switched Access Lines	128,906,194	Line (5) * Line (11)
(13)	Assumed Total Numbers Used by Business Switched Access Lines	252,909,806	Line (10) - Line (12)
(14)	Estimated Quantity of Numbers Used Per Business Switched Access Line	4.15	Line (13) / Line (6)

Table 4

Business Users Will Pay Half of All USF Assessments Under a Numbers-Based Plan

	Number Category	Units	Source:
(1)	Assumed Total Wireline Numbers Used by Business Switched Access Lines	252,909,806	Table 3, Line (13)
(2)	Total Wireless Numbers	213,839,000	http://www.ctia.org/index.cfm accessed 5/16/06
(3)	Estimated Business % of Wireless numbers	25%	<i>FCC Tenth CMRS Report, at Footnote 487.</i>
(4)	Estimated Business Wireless numbers	53,459,750	Line (2) * Line (3)
(5)	Total Paging Numbers	7,999,000	<i>FCC Numbering Resource Utilization in the US, 5/2/06</i>
(6)	Estimated Business % of Wireless numbers	100%	Assumption
(7)	Estimated Business Wireless numbers	7,999,000	Line (5) * Line (6)
(8)	Total Estimated Numbers Utilized by Business Users	314,368,556	Line (1) + Line (4) + Line (7)
Calculation of Portion of Total Universal Service Funding that Would Be Collected From Business Users Under a Pure Numbers Based Plan			
(9)	Total Numbers-Based Units (Assuming Lifeline Exemption)	596,534,494	Table 1, Line (8)
(10)	Percentage of Total Universal Service Program Demand Funded by Business Subscribers	53%	Line (8) / Line (9)

Table 5

Results of Analysis of Percentage of USF Revenue Collected from Business Under Present Revenue-Based Mechanism

Estimation Method 1	Consumer	Business	As of:	Source:
(1) Wireline Revenues -- 2006 Forecast	\$ 55,000,000,000	\$59,000,000,000	1st Quarter 2006	Annualized 1 Q 2006 revenues reported in Investor Briefings. See Note 1
(2) Wireless Revenues -- 2005	\$ 85,000,000,000	\$28,000,000,000	30-Dec-2005	CTIA Semi-Annual Wireless Survey Summary, p.2 . See Note 2.
(3) Wireline Interstate Factor	43%	43%	30-Dec-2004	See Factors Development below
(4) Wireless Interstate Factor	23%	23%	30-Dec-2004	See Factors Development below
(5) Estimated USF Revenue Base	\$ 43,200,000,000	\$31,810,000,000		(Line 1 * Line 3) + (Line 2 * Line 4)
(6) Estimated Business % of USF Contribution		42%		Line 5 "business" revs / (Line 5 "consumer" revs + Line 5 "business" revs)

Estimation Method 2	USF Revenue Base	Estimated "Business" Market Share	As of:	Source:
(7) ILECS	\$ 16,494,000,000		30-Dec-2004	FCC "Telecommunications Industry Revenues: 2004) , IATD 3/06, Table 7
(8) CLECS	\$ 4,720,000,000		30-Dec-2004	FCC "Telecommunications Industry Revenues: 2004) , IATD 3/06, Table 7
(9) IXCs	\$ 36,770,000,000		30-Dec-2004	FCC "Telecommunications Industry Revenues: 2004) , IATD 3/06, Table 7
(10) Wireless	\$ 21,870,000,000		30-Dec-2004	FCC "Telecommunications Industry Revenues: 2004) , IATD 3/06, Table 7
(11) ILECS		40%	1st Quarter 2006	See Factors Development below
(12) CLECS		60%	1st Quarter 2006	See Factors Development below
(13) IXCs		60%	1st Quarter 2006	See Factors Development below
(14) Wireless		25%	1st Quarter 2006	See Factors Development below
(15) Estimated "Business" Portion of USF Base	\$ 36,959,100,000			(Line 7 * Line 11) + (Line 8 * Line 12)+(Line 9 * Line 13) + (Line 10 * Line 114)
(16) Estimated Business % of USF Base		46%		Line 6 / (sum of lines 7 through 10)

"Factors" Development

Line (3)	Wireline Interstate Factor	Ratio of Interstate/Int'l Revenue to Total Revenues for all telecom services EXCEPT Mobile. Data from FCC "Telecommunications Industry Revenues: 2004) , IATD 3/06, Table 7, Page 28
Line (4)	Wireless Interstate Factor	Ratio of Interstate/Int'l Revenue to Total Revenues for all Mobile services. Data from FCC "Telecommunications Industry Revenues: 2004) , IATD 3/06, Table 7, page 28
Line (11)	"Business" Share of ILEC USF Revenue Base	Ratio based upon estimates developed using reported SLC revenues as proxy for all surchargable local service revenues
Line (12)	"Business" Share of CLEC USF Revenue Base	Ratio developed using same SLC revenue proxy used for ILEC revenues applied to CLEC line counts
Line (13)	"Business" Share of IXC USF Revenue Base	Ratio developed based upon analysis of revenues reported in AT&T, MCI and Sprint annual reports
Line (14)	"Business" Share of Wireless USF Revenue Base	FCC Tenth CMRS Report, at Footnote 487.

NOTES

- Note 1 Annualized Wireline Revenue for Verizon, AT&T Inc., BellSouth, Qwest and Sprint taken from 1 Q 2006 Investor Briefing Reports, found at carrier websites accessed on July 31, 2006 in "Investor Relations" sections. "Business" category contains revenues for both "business" and "enterprise" categories for those carriers that break it out separately.
- Note 2 Total Wireless Industry Revenues for 2005 of \$113.5-Billion. Revenues were split between "consumer" and "business" based upon estimate used by the FCC in the Tenth CMRS Report (footnote 487) that 25% of wireless revenues are attributable to business customers.